

1 Thomas W. McNamara  
info@regulatoryresolutions.com  
2 Regulatory Resolutions  
501 West Broadway, Suite 2020  
3 San Diego, California 92101  
Telephone: 619-269-0400  
4 Facsimile: 619-269-0401

5 *Court-Appointed Receiver*

6 Daniel M. Benjamin (SBN 209240)  
dbenjamin@mcnamarallp.com  
7 Andrew W. Robertson (SBN 62541)  
arobertson@mcnamarallp.com  
8 McNamara Benjamin LLP  
501 West Broadway, Suite 2020  
9 San Diego, California 92101  
Telephone: 619-269-0400  
10 Facsimile: 619-269-0401

11 *Attorneys for Receiver*

12 UNITED STATES DISTRICT COURT  
13 CENTRAL DISTRICT OF CALIFORNIA

14  
15 FEDERAL TRADE COMMISSION,

16 Plaintiff,

17 v.

18 DAMIAN KUTZNER, et al.,

19 Defendants.  
20

Case No. LACV16-00999 BRO (AFMx)

**RECIIVER’S STATUS REPORT RE:  
NOTICE TO CLIENTS OF  
BROOKSTONE/ADVANTIS AND  
STATUS OF BUSINESS RECORDS  
RETENTION**

JUDGE: Hon. Beverly Reid O’Connell  
CTRM: 14

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1 **STATUS REPORT OF RECEIVER**

2 By this Status Report, I further update the Court as to the steps taken by the  
3 receivership to (1) provide notice of the receivership to clients of  
4 Brookstone/Advantis and to advise those clients that they must secure new counsel  
5 or represent themselves in the mass joinder cases and (2) secure the business  
6 records of the Receivership Entities.

7 **1. Efforts to Notify and Protect Clients**

8 In my Supplemental Report filed July 8, 2016 ([ECF No. 67](#)), I updated the  
9 Court as to our efforts to notify, communicate with, and protect  
10 Brookstone/Advantis clients. Those efforts included:

- 11 • As directed by the TRO (Section XV(S), [ECF No. 23](#)), sent notices to  
12 the courts in the eight active mass joinder cases which were being  
13 conducted by a lawyer working for Brookstone/Advantis.<sup>1</sup> That  
14 notice informed the courts and the parties that Brookstone/Advantis  
15 have been placed in receivership and will be withdrawing as counsel  
16 from the cases, and requested the courts stay all proceedings for at  
17 least ninety (90) days to permit clients to obtain replacement counsel.
- 18 • Sent notice to all plaintiffs in the eight active mass joinder cases via  
19 email (or by U.S. Mail to those without email addresses) advising  
20 them of the receivership, confirming that Brookstone/Advantis will be  
21 withdrawing as counsel, explaining that we requested a 90-day

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22 <sup>1</sup> *Aslami, et al. v. National Default Servicing Corp., et al.*, Orange County  
23 Superior Court, Case No. 30-2016-00844390-CU-OR-CJC; *Curtis, et al. v. MTC*  
24 *Financial, et al.*, Orange County Superior Court, Case No. 30-2016-00841019-CU-  
25 *OR-CJC*; *Lawley, et al. v. Bank of America, et al.*, San Diego County Superior  
26 Court, Case No. 37-2016-00011715-CU-OR-CTL; *Lee v. JP Morgan Chase Bank,*  
27 *et al.*, U.S. District Court, Northern District of California, Case No. 5:15-cv-  
28 *05215-RMW*; *Randall, et al. v. Citigroup Inc., et al.*, Los Angeles County Superior  
Court, Case No. 526888; *Salgado, et al. v. Western Progressive LLC, et al.*,  
Orange County Superior Court, Case No. 30-2016-00854281-CU-OR-CJC;  
*Wasinack, et al. v. Quality Loan Service Corp., et al.*, Riverside County Superior  
Court, Case No. RIC1601230; *Wright, et al. v. Bank of America, et al.*, Orange  
County Superior Court, Case No. 30-2011-00449059-CU-MT-CXC.

1 continuance in the cases to permit clients to obtain a replacement  
2 lawyer or to appear on their own behalf. The communications  
3 stressed the need to secure replacement counsel or take steps to  
4 represent themselves. We included a link to the receiver's website for  
5 additional background information and details.

- 6 • Dispatched similar notice to the plaintiffs in the two mass joinder  
7 cases which have been dismissed without prejudice, but not refiled.<sup>2</sup>
- 8 • Established website pages dedicated to this case. *See*  
9 [http://regulatoryresolutions.com/case/federal-trade-commission-v-](http://regulatoryresolutions.com/case/federal-trade-commission-v-kutzner-et-al/)  
10 [kutzner-et-al/](http://regulatoryresolutions.com/case/federal-trade-commission-v-kutzner-et-al/). The pages provide the following: background and  
11 reference information for Brookstone/Advantis clients; updates on the  
12 status of the FTC case; a detailed Frequently Asked Questions section  
13 (based on questions coming into the Receiver's office and website)  
14 which contain links to the underlying court websites for each of the  
15 eight cases; and links to the operative complaints in the eight active  
16 cases to provide the plaintiffs a point of reference.
- 17 • Responded to dozens of Brookstone/Advantis clients who submitted  
18 inquiries to the Receiver's office or website.

19 For the Court's convenience, attached as exhibits to this report are a sample  
20 copy of the notice to clients in the eight active mass joinder cases (Exhibit A), a  
21 sample copy of the notice to clients in the two mass joinder cases which had been  
22 dismissed without prejudice, but not refiled (Exhibit B), and a copy of the current  
23 FAQs posted on the receivership website (Exhibit C).

24 Since the filing of that Supplemental Report on July 8, 2016, we have posted  
25 another notice on the receivership website that clients must secure new counsel or

26 \_\_\_\_\_  
27 <sup>2</sup> *Montes, et al. v. Wells Fargo Bank, N.A., et al.*, Los Angeles County  
28 Superior Court, Case No. BC566821; and *Bradford, et al. v. Bank of America, N.A., et al.*, U.S. District Court for the Central District of California, Case No. LA15CV-05201-GHK-JC.

1 make arrangements to represent themselves – a copy of that notice is attached as  
2 Exhibit D.

3 **2. Business Records and Client File Materials**

4 The Supplemental Report, as further refined by the FTC’s Response to  
5 Supplemental Report filed July 14, 2016 ([ECF No. 70](#)) set forth the procedures by  
6 which the business records (paper records and computer hard drives) of the  
7 Receivership Entities were to be boxed, labeled and then turned over to an FTC  
8 Document Team for storage and safekeeping. That process was concluded on  
9 August 4, 2016. Possession of the business premises previously leased by  
10 Advantis was returned to the landlord on August 5, 2016.

11 As noted in the previous Supplemental Report, Brookstone had an onsite  
12 server, which housed an internal database called Integrated Legal System (“ILS”).  
13 ILS was Brookstone’s custom built customer relationship management system,  
14 which included customer notes (comprised mostly of payment information) and  
15 scanned copies of documents previously provided by clients. The server, which  
16 housed the ILS database, was relocated to the Receiver’s office in San Diego in  
17 order that we could respond to client requests for such file materials. Access in  
18 real time to scanned copies of all client file materials is, however, dependent on a  
19 third-party vendor, which hosts the documents at a monthly cost. In order to  
20 reduce costs, we will terminate that service effective September 24, 2016. At that  
21 time, we will secure the data, but real time access to the data would require  
22 significant effort.

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24 Dated: August 12, 2016

By: S/ Thomas W. McNamara  
Thomas W. McNamara  
Receiver

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**CERTIFICATE OF SERVICE**

I hereby certify that on August 12, 2016, I caused the foregoing to be electronically filed with the Clerk of the Court using the CM/ECF system, which will send notification of the filing to all participants in the case who are registered CM/ECF users.

I further certify that I have caused the foregoing to be mailed by First Class Mail, postage paid, to the following non-CM/ECF participants:

Vito Torchia, Jr.  
8033 W. Sunset Boulevard, Suite 819  
Los Angeles, CA 90046

R. Geoffrey Broderick  
20 Paseo Canos  
San Clemente, CA 92673

S/ Andrew W. Robertson  
Andrew W. Robertson